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Mid-term review of the programming arrangements, 2008-2011

Summary

The 2008-2011 programming arrangements framework plays an integral role in helping UNDP achieve development results. It funds critical resource facilities through which regular programme resources are allocated in support of programme country needs and the objectives of the strategic plan. The present mid-term review focuses on two major issues: increasing flexibility and responsiveness to programme country needs; and further rationalization within the context of the integrated resources plan.

With respect to increasing flexibility and responsiveness to programme country needs, the mid-term review identifies several areas that could benefit from further strengthening: availability of a critical mass of programme resources for middle-income countries; alternatives to the current use of gross national income per capita as the primary criteria to support the methodology for calculating the target for resources assignment from the core (TRAC); scaling up support to countries affected by crisis to ensure the availability of a critical mass of programme resources; and establishment of a specific allocation of programme resources to support activities of the United Nations Capital Development Fund (UNCDF). UNDP proposes to develop these issues into concrete proposals for consideration by the Executive Board at its second regular session 2011.

In terms of a further rationalization of the programming arrangements framework within the context of the integrated resources plan, the mid-term review identifies several proposals for consideration by the Board during the present session, with respect to: aligning the current programming arrangements framework with the UNDP strategic plan, 2008-2011 (extended to 2013), through a two year extension to cover the period 2008-2013; and several intra-programming arrangements reclassifications covering the fixed programme lines and global policy advisors.

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Contents

Chapter		*Page*
I.	Background	3
II.	Increasing flexibility and responsiveness to programme country demands	3
III.	Rationalization of the programming arrangements within the integrated resources plan	7
IV.	Other considerations	10
V.	Recommendations for a decision by the Executive Board	11

Annexes

1.	Programming arrangements framework, 2008-2011	12
2.	The TRAC model	13
3.	TRAC-2 assignments, 2008-2011	14
4.	Capacity development results for select countries	15

I. Background

1. In its decision 2007/33 approving the programming arrangements, 2008-2011, the Executive Board requested UNDP to submit a mid-term review of those arrangements at its second regular session 2009. The submission of the review was subsequently postponed to the first regular session 2010, in line with the postponement of the submission of the 2010-2011 biennial support budget.

2. The programming arrangements framework plays an integral role in the achievement of development results by funding critical resource facilities through which regular programme resources are allocated in support of programme country demands and the objectives outlined in the strategic plan. UNDP reported on its strategic direction, effectiveness, and contribution to the development results contained in the strategic plan in the annual report of the Administrator, including the operationalization of the strategic plan, 2008-2011 (DP/2009/11).

3. Since its initial legislation in 1995, the programming arrangements framework has not changed significantly. The present mid-term review offers an opportunity to take a forward-looking view of how it can be enhanced in line with the evolving priorities of UNDP. The mid-term review focuses on two major issues: increasing flexibility and responsiveness to programme country needs; and further rationalization within the context of the integrated resources plan.

4. The mid-term review identifies areas, in chapter II, that can benefit from further strengthening through the development of concrete proposals in anticipation of the next programming arrangements period. A limited number of such proposals are set out in chapters III and IV for consideration by the Executive Board.

5. The mid-term review is also informed by three important decisions:

(a) General Assembly resolution 63/232 which modified the comprehensive policy review of operational activities from a triennial to a quadrennial cycle;

(b) Executive Board decision 2009/9 on the annual report of the Administrator, including the operationalization and extension of the UNDP strategic plan, 2008-2011, by two years; and

(c) Executive Board decision 2009/22 on the methodology and approach to the UNDP biennial support budget, 2010-2011, which approved the adoption of an outline of the integrated resources plan emphasizing improved transparency and accountability; the strong linkage between the biennial support budget and programming arrangements; and a clearer classification of activities and costs.

II. Increasing flexibility and responsiveness to programme country demands

Principles

6. The mid-term review captures a number of concerns with respect to flexibility and responsiveness. Those concerns adversely affect the potential contributions which UNDP can make in response to programme country demands, regardless of country income status – low-income country, middle-income country, or net contributor country. Past reviews have focused on two major areas: the principles underlying the mandate of UNDP, and the programme lines through which resources are distributed. More attention needs to be directed toward sharpening the substantive programme linkages between the two areas.

7. Three high-level principles underlie the mandate of UNDP – predictability, universality, and progressivity. Predictability relates to the receipt of sufficient regular resources, which form the bedrock of UNDP and which can be made available to sustain its multilateral and universal character. Predictability of regular resources is of particular concern. The global economic crisis and the highly volatile exchange rate environment pose serious challenges, especially with respect to the strategic direction and sustainability of the organization, and its ability to support development goals of programme countries. The viability of the strategic plan could be at risk if voluntary contribution levels fail to reach the targets established in the integrated resources plan, approved by the Executive Board in its decision 2007/32.

8. The universality principle is intended to ensure that all eligible countries are able to participate in UNDP development programmes. This principle is interpreted as, and reflected in, the 'physical presence' of UNDP in all programme countries, including net contributor countries.[1] The principle of universality has direct resourcing implications on the minimum critical mass of regular programme resources available to individual countries. Moreover, within the context of the limited availability of regular resources and the progressivity principle discussed below, regular programme resources available to middle-income countries are often minimal, and for net contributor countries they are nonexistent. Thus the greatest challenge of UNDP in these countries is often how to engage in development activities in a meaningful and credible manner.

9. The progressivity principle is meant to focus the major distribution of regular resources earmarked for programme country activities to low-income countries and least developed countries. It does so by applying a distribution methodology that requires 85-91 per cent of TRAC-1/TRAC-2 resources to be assigned to low-income countries, and 60 per cent to least developed countries. As a result, the progressivity principle constrains the universality principle to a certain extent due to the lack of a critical mass of regular resources available for programme activities in middle-income countries and net contributor countries.

Substantive programme linkage

10. The strategic plan defines the direction of UNDP activities in all programme countries regardless of income categorization. However, in the light of paragraphs 6 to 9 above, UNDP recommends that the Executive Board consider providing a critical mass of regular resources to middle-income countries to respond to demand-driven programmes and the development effectiveness activities of greatest relevance to them. This is in line with the General Assembly discussions summarized in paragraph 11, below. Such resources would help bridge the gap between the 'universality' and 'progressivity' principles, and lead to a more focused discussion of the TRAC model and related resource allocation issues.

11. The General Assembly is currently addressing the issue of development cooperation with middle-income countries, as presented in the report of the Secretary-General on United Nations development cooperation with middle-income countries (A/64/253). More specifically, a draft resolution (A/C.2/64/L.13) has been proposed, which recognizes that "middle-income countries still face significant challenges in their efforts to achieve the internationally agreed development goals, including the Millennium Development Goals, and in that regard, [the General Assembly] underlines the importance of international support through various forms, that is, in accordance with national priorities and development policies, to address the development needs of middle-income countries".

[1] Net contributor countries are those countries where 2005 gross national income per capita, using the World Bank methodology, is greater than $5,500. Net contributor countries are not eligible to receive TRAC or biennial support budget resources, with the exception of the cost of the Resident Coordinator. New net contributor countries, however, are granted a four-year transitional grace period during which they receive biennial support budget resources and 60 per cent of previous TRAC-1 resources.

UNDP will shape future proposals on middle-income countries within the context of these discussions and resolutions.

The TRAC model

12. The TRAC model was first introduced in 1997 and is composed of three elements: TRAC-1, TRAC-2 and TRAC-3. In the current programming arrangements, and based on the approved annual programming base of $700 million, $650.6m is earmarked for four variable programme lines and $49.4m for eight fixed programme lines. Annex 1 contains a summary of the various programme lines that comprise the programming arrangements framework. Annex 2 contains a brief description of the TRAC model.

13. Four key issues were examined during the mid-term review with respect to the TRAC model: TRAC-1 calculation methodology; TRAC-1 threshold classification levels; TRAC-2 allocation criteria and reporting; and TRAC-3 'critical mass'.

TRAC 1

14. The primary criterion supporting the TRAC-1 calculation methodology is gross national income per capita. The main criticism of that criterion is that even though it is a national average of income and widely accepted as a measure of wealth, it does not address other major dimensions of poverty, such as income and social inequality; status of health and longevity; and human security; all of which are at the core of the development mandate of UNDP. Therefore, gross national income per capita alone may not be the optimal basis for allocating programme resources at the country level, thus serving as a proxy for the demand or need for UNDP services. UNDP recommends that alternative methodologies be explored further.

15. In the past, UNDP has conducted various technical studies to explore alternative criteria with limited success. These have included the human development index; specific components of that index; percentage of the population under the international poverty line; and gross national income per capita measured in purchasing power parity terms. The human development index, while more responsive to and representative of the mandate of UNDP, presents challenges with respect to political and data acceptance. Furthermore, the human development index will be discussed at an international forum during 2010 with the objective of further refining it. Thus its current calculation methodology may be subject to change. The percentage of the population under the international poverty line and the gross national income based on purchasing power parity options have not been recommended in the past due to problems with the availability and/or consistency of data.

TRAC-1 thresholds

16. For the purpose of determining individual country TRAC-1 allocations, UNDP programme countries are classified under three categories using established thresholds based on gross national income per capita:

(a) Low-income countries: gross national income per capita less than or equal to $1,050;

(b) Middle-income countries: gross national income per capita $1,051 to $5,500; and

(c) Net contributor countries: gross national income per capita greater than $5,500.

17. In addition, UNDP maintains a minimum annual regular resources programme allocation of $350,000 funded from TRAC-1 in middle-income countries. Subsequent to decision 2007/33, the data on gross national income per capita was updated. Effective from 2008, Bhutan moved from low-income to middle-income country status, and Botswana, the Cook Islands and Niue moved from middle-income to transitional net contributor country status.

18. In contrast to the three categories established by UNDP, the United Nations Children's Fund (UNICEF) recently revised its country threshold classification scheme in line with that used by the World Bank, which has four groupings:

(a) Low-income countries: gross national income per capita less than or equal to $905

(b) Lower-middle-income countries: gross national income per capita from $906 to $3,595

(c) Upper-middle-income countries: gross national income per capita from $3,596 to $11,115

(d) High income: gross national income per capita above $11,116

19. UNICEF has raised its minimum annual regular resources programme allocation from $600,000 to $750,000. However, following the UNICEF lead would have major implications for UNDP on the distribution of TRAC-1 resources between currently classified low-income countries, middle-income countries and net contributor countries. Nevertheless, UNDP recommends assessing the notional impact of revising the UNDP thresholds for determining individual country TRAC-1 allocations.

TRAC-2

20. The primary focus of TRAC-2 resources continues to be on strengthening national capacities to achieve the Millennium Development Goals, an overarching priority focus area of UNDP. However, TRAC-2 support is not separate or distinct from other UNDP support to the goals, which is largely funded from TRAC 1 and other resources. Three criteria underlie the TRAC-2 allocation framework:

(a) national capacity to achieve the Millennium Development Goals and to formulate human development policies and plans;

(b) national capacities for implementing development strategies and goals; and

(c) response to development and business opportunities.

21. The allocation of TRAC-2 resources is at the discretion of UNDP management and is based on requests from programme countries in line with the established criteria. Information on TRAC-2 regional shares and distribution by income categories is contained in annex 3. Requests from programme countries are clear in terms of their priorities and areas of support, and are aligned with the TRAC-2 allocation framework. The majority of the requests are focused on monitoring, analysing and reporting on progress in human development and towards the Goals; research and diagnostic capacities to support macroeconomic, governance, and sector approaches; policy development and review; subnational capacities for integrated local development and service delivery; and national capacities for monitoring and accountability for development results.

22. Full attribution of results at the country level to TRAC-2 resources is not possible in view of the comingled nature of UNDP resources. However, in the 2008 results-oriented annual report, the enhanced results-based management platform provides the opportunity to select specific countries to better understand how TRAC-2 resources are optimized Annex 4 provides a snapshot of capacity development results for select programme countries in areas targeted by TRAC-2 resources. The report on the operationalization of the strategic plan (DP/2009/11), paragraphs 16 to 20 and 35 to 40, presents key achievements and challenges in the area of capacity development. This is considered the most reasonable and strategic manner of reporting on TRAC-2 resources, since these represent only about 6 per cent of projected regular and other programme resources for 2008-2011.

23. TRAC-2 resources provide flexibility in the allocation of resources based on criteria other than gross national income per capita. Regional Bureaux have consequently been able to allocate relatively higher shares of TRAC-2 resources to country programmes that

demonstrate key initiatives in line with established criteria. However, a closer linkage between TRAC-2 and TRAC-3 resources should be considered in view of the need for an enabling development environment in countries affected by crisis (TRAC-3) before effective strengthening of national capacities in support of the Millennium Development Goals can be undertaken (TRAC-2). As noted previously, the legislation governing the distribution of TRAC resources between low- and middle-income countries constrains the flexibility of TRAC-2 resources, especially in regions where the number of low-income countries is limited, resulting in little flexibility to allocate additional resources to middle-income countries in support of achieving the Goals.

24. Reporting on TRAC-2 results also remains a challenge, since TRAC-1 and TRAC-2 resources are fully commingled. UNDP will therefore continue to report on TRAC-2 achievements within the overall context of development results, as reported upon in the annual and mid-term reports on operationalization of the strategic plan.

TRAC-3

25. UNDP allocates TRAC-3 resources to countries in crisis and special circumstances. These countries face imminent conflict or are prone to natural disasters. Many have experienced severe disruptions in critical national or local capacities and have been designated 'priority post-conflict situations' by the Security Council or the Peacebuilding Commission. There is an ever-increasing demand from these countries for assistance to address crisis prevention, response, and recovery needs, while setting the stage for a smooth transition to more traditional programme and development effectiveness activities. TRAC-3 resources are allocated to these countries under the following categories: (a) response to sudden crisis; (b) conflict prevention; (c) disaster risk reduction; and (d) early recovery.

26. UNDP should focus on and scale up its support to countries affected by crisis, and, in parallel, engage with donor partners to mobilize non-core resources. Since the non-core donor resources that helped fund the bulk of UNDP crisis prevention and recovery activities in the past are now diminishing, the Executive Board may wish to consider an increase in the share of regular resources allocated to TRAC-3 in order to ensure a critical mass of these resources. However, any increase in overall TRAC-3 allocation levels should be determined by the need for greater UNDP responsiveness in supporting countries affected by natural disaster or crisis, as articulated in Executive Board decision 2001/4.

UNCDF

27. In its decision 2007/34, the Executive Board "requested UNDP to provide UNCDF, on an exceptional basis, with the amount of $6 million for 2008, and to increase efforts to work with UNCDF to provide it with stable programme resources by supporting joint programmes with UNCDF at country, regional and global levels". UNDP earmarked additional resources for 2009-2011 directly from the regional programmes. Further consideration should be given to funding UNCDF activities directly from future programming arrangements.

III. Rationalization of the programming arrangements within the integrated resources plan

The integrated resources plan

28. The integrated resources plan seeks to provide a coherent, transparent presentation of UNDP activities, costs and budgetary allocations, and, in so doing, strengthen their linkages to the development and institutional goals and plans of the organization. This is expected to lead to improved results-based planning, strengthened delivery of demand-driven services in support of programme country development objectives and enhanced decision-making.

29. As highlighted in the report on the methodology and approach to the UNDP biennial support budget, 2010-2011 (DP/2009/30), the categories used in the presentation of budgetary data for information and decision-making purposes do not always support a logical or consistent attribution of activities and costs within the programming arrangements, or between the programming arrangements and the biennial support budget.

30. In response, the Executive Board adopted decision 2009/22, which sought to improve accountability and transparency by endorsing the use of four broad classifications of activities and costs: (a) development; (b) management; (c) United Nations development coordination; and (d) special purpose. In addition, the Executive Board endorsed two sub-classifications of development activities and costs: (i) programmes; and (ii) development effectiveness.

The programming arrangements framework

31. At present, the programming arrangements framework does not differentiate sufficiently between programme activities and development effectiveness activities. Rather, it contains individual programme lines which are identified as either 'variable' or 'fixed', and whose fundamental distinction pertains to relative size and the volume of available regular resources. The larger variable lines are subject to upward and downward fluctuation in actual allocations based on the availability of regular resources, whereas the smaller fixed lines are affected only by downward fluctuations. The variable lines fund country TRAC-1 and -2, regional programmes, global programmes and crisis prevention and recovery activities (TRAC-3). The fixed lines fund a number of substantive activities which are essential for global advocacy and country level development effectiveness: South-South cooperation; the Economists Programme; gender mainstreaming; development support services; support to the Resident Coordinator; the Programme of Assistance to the Palestinian People (PAPP); the Human Development Report (HDR); and the Office of Development Studies (ODS).

32. In addition to the variable and fixed line descriptions above, and in line with decision 2009/22, the subclassifications of programmes and development effectiveness activities are defined as follows:

(a) *Programmes*. The resource facilities and costs available to fund country, regional and global programmes in the four areas of UNDP focus. These are the resource facilities (programme lines) contained in the programming arrangements framework to fund development programmes and projects at the country (TRAC-1 and -2 and TRAC 3), global (global programme) and regional (regional programme) levels. In addition, eight fixed programme lines support various cross-cutting activities on a smaller scale, some of which are proposed for reclassification (see paragraphs 33 and 37, below).

(b) *Development effectiveness activities*. The UNDP functions and activities required to ensure the effective delivery of high-quality programmes and projects. They represent policy advisory, technical, and implementation services that are considered integral to achieving planned programme and project results in the four UNDP focus areas.

33. In order to differentiate more clearly between programme activities and development effectiveness activities, the paragraphs below summarize the extent to which development effectiveness activities, which occur under all programme funding sources, reside in the programming arrangements framework. They also contain proposed recommendations for improved alignment therein. The one exception relates to support to Resident Coordinator activities ($16 million per year) which is recommended for shifting to the broad cost classification category of 'United Nations development coordination'.

Development effectiveness

34. The definition and classification of development effectiveness as one of two major sub-classifications of development activities was proposed in the report on the methodology and approach to the to the UNDP biennial support budget, 2010-2011, and approved by the Executive Board in decision 2009/22. In that connection, two points must be underscored:

(a) None of the proposals reduce country-level TRAC resources available for country and crisis prevention and recovery activities; and

(b) Development effectiveness activities are limited, for the time being, to inputs (posts and related general operating expenses), at the country and regional levels, which provide policy advisory services and implementation support directly to country programmes.

35. Decision 2008/32 on the evaluation of the third Global Cooperation Framework and the Global Programme, 2009-2011, "[r]equests the Administrator, in the context of the proposals to be presented to the Executive Board in line with decision 2008/1 on realigning the cost classification of UNDP activities, to include proposals on the future classification of the organization's policy advisors". In follow-up to decision 2008/32, and based on an internal UNDP central programme unit review, UNDP noted that resources equivalent to 52 professional posts and related general operating expenses (about $14 million annually) funded from the Global Programme provided policy advisory services directly to country programmes and were situated in regional and country offices. As such, they were considered to be development effectiveness activities in line with the proposals made in DP/2009/30. The remaining policy advisor posts funded from the Global Programme are situated at headquarters.

36. The current annual base level from regular resources approved by the Executive Board for UNDP development activities is $700 million. With the introduction of the cost classification revisions approved in decision 2009/22, that will increase to $744 million[2]. UNDP estimates that programmes will approximate $648 million (87.1 per cent), or about the same nominal level as today. It is estimated that the balance of approximately $96 million[3] (12.9 per cent) would be attributed to development effectiveness.

37. The remaining seven fixed programme lines have been reviewed to determine how they would best be classified. The following is proposed in that regard:

(a) *PAPP* is a special programme with specific funding arrangements to cover programmatic activities in line with the definition of programmes above. Given its unique nature as a programme in support of a special group of people, in contrast to a programme in support of a country or region, it is proposed to classify it as a separate and distinct programme activity.

(b) *HDR*. Human development is at the core of the mandate and work of UNDP at the global, regional and country levels. The HDR supports UNDP global advocacy for human development by assisting programme countries in incorporating human development dimensions into development programmes and policies, an essential prerequisite for the achievement of the Millennium Development Goals. UNDP proposes to classify this work as a separate and distinct programme activity.

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[2] The net increase of $44 million is comprised of $60million in shifts to the programming arrangements (development effectiveness) from the biennial support budget, based on the country office cost classification review and proposed new strategic investments; minus $16 million in shifts from the programming arrangements to United Nations development coordination.

[3] The $96 million in 'development effectiveness' is comprised of $60 million in shifts from the biennial support budget based on the country office cost classification review and proposed new strategic investments; plus $14 million in shifts from the Global Programme; plus $22 million in shifts from gender mainstreaming, South-South cooperation, development support services and the Economists Programme.

(c) *ODS.* The role of ODS is to locate and disseminate new thinking on development, economics and global challenges. Its work assists programme countries to integrate policy analysis and substantive development issues into development programmes and policies. UNDP proposes to classify it as a separate and distinct programme activity.

(d) *Gender mainstreaming* is a cross-cutting activity that is an integral part of global, regional and country-level programming, which UNDP mainstreams in all aspects of its work. UNDP proposes to classify it as a development effectiveness activity.

(e) *South-South cooperation* focuses on the sharing of successful South-South experiences, expertise and knowledge, with the objective of making them an integral part of country, regional and interregional programmes, while introducing cost-effective modalities. UNDP proposes to classify it as a development effectiveness activity.

(f) *Development support services* support, in principle, the recruitment of independent short-term national and regional advisors by UNDP country office management, often to 'jump-start' the programming process. UNDP proposes to classify it as a development effectiveness activity.

(g) The *Economists Programme* essentially deploys economists at the country office level, primarily in sub-Saharan Africa, to provide substantive economic advisory services supporting the formulation of pro-poor policies and inclusive growth strategies, and Millennium Development Goals-based planning processes. UNDP proposes to classify it as a development effectiveness activity.

38. Finally, country office activities and costs – which are contained, at present, in the biennial support budget and pertain to staff that provide predominantly policy advisory services or programme implementation support – have been approved for classification under 'development effectiveness'. Similarly, some South-South and crisis prevention and recovery activities and costs funded from the biennial support budget – which provide policy advice and programme implementation support in their areas of expertise similar to dedicated country office staff – have been approved for classification under 'development effectiveness'. Those activities are described in the UNDP budget estimates for the 2010-2011 biennium (DP/2010/3). Total costs approximate $60 million annually.

IV. Other considerations

39. In view of General Assembly resolution 63/232 on the quadrennial cycle for comprehensive policy reviews of operational activities, and Executive Board decision 2009/9 extending the strategic plan to six years (2008-2013), UNDP recommends that the programming arrangements be extended by two additional years to cover the period 2008-2013, in alignment with the extended strategic plan.

40. An extension of the programming arrangements by two years, to 2013, would nevertheless have a number of implications with respect to:

(a) The time frame for formulating concrete proposals on priority issues into for consideration by the Executive Board, as discussed in chapter II, above;

(b) The formal inclusion of approved proposals in the programming arrangements framework; and

(c) The effect of these proposals on the allocation of resources accruing to 2012 and 2013.

41. UNDP therefore recommends that all issues warranting formulation into concrete proposals be presented to the Executive Board for formal consideration at its second regular session 2011. This would ensure alignment and integration with the budget estimates for the 2012-2013 biennium, which will also be formally considered by the Board at that

session. It would also provide adequate time to ensure that both resource frameworks support the direction of the organization as confirmed by the mid-term review of the strategic plan, scheduled for formal consideration at the annual session 2011.

V. Recommendations for a decision by the Executive Board

42. The Executive Board may wish to approve the following recommendations:

(a) With respect to the alignment of the programming arrangements with the Strategic Plan (2008-2013), approve the extension of the programming arrangements by two additional years to cover the period 2008-2013;

(b) With respect to the rationalization of the programming arrangements within the Integrated Resources Plan, approve the following proposals:

(i) With respect to global advisors funded under the Global Programme, approve the shifting of resources equivalent to 52 global policy advisors who are located outside of Headquarters, plus related general operating expenses, from the Global Programme to development effectiveness;

(ii) With respect to the current classification of fixed lines, approve their inclusion under the following cost categories :

- Support to Resident Coordinator activities: United Nations development coordination
- PAPP: Programme
- HDR: Programme
- ODS: Programme
- Gender mainstreaming: Development effectiveness
- South-South cooperation: Development effectiveness
- Development support services: Development effectiveness
- Economists Programme: Development effectiveness

43. The Executive Board may wish to consider the following issues for future discussion with respect to increasing flexibility and responsiveness to programme country demands:

(a) Providing a critical mass of regular resources for middle-income countries based on a clear strategy, to include linkages with the overall distribution of regular resources;

(b) Alternatives to the current use of gross national income per capita as the primary criteria supporting the TRAC-1 calculation methodology, including the notional impact of revising current thresholds for determining individual country TRAC-1 allocations;

(c) Scaling up support to countries affected by crisis to ensure a critical mass of resources to support the work of UNDP in this area through an increase in the share of regular programme resources allocated to TRAC-3;

(d) Establishing a specific allocation from regular programme resources dedicated to UNCDF activities.

44. The Executive Board may wish to request that all issues warranting formulation into concrete proposals be presented for formal consideration at the second regular session 2011.

Annex 1

Programming arrangements framework, 2008-2011

$700 million baseline	Percentage	Annual (in $ millions)
Variable lines		
TRAC-1 and TRAC-2	78.8	512.7
TRAC-3	7.2	46.8
Regional programmes	9.0	58.6
Global programme	5.0	32.5
Total variable lines	**100**	**650.6**
Fixed lines		
South-South cooperation programme		4.5
Human Development Report Office		6.7
Office of Development Studies		1.8
Economists Programme		7.0
Gender Mainstreaming		3.2
Programme of Assistance to the Palestinian People		3.2
Development support services		7.0
Support to the Resident Coordinator		16.0
Total fixed lines		**49.4**
Grand total		**700.0**

Annex 2

The TRAC model

1. UNDP regular resource allocations for individual country programmes are made within the framework of targets for resource assignment from the core (TRACs).

2. In its decision 95/23 on the 1997-1999 successor programming arrangements, the Executive Board introduced a "new, more flexible three-tier target for resource assignments from the core (TRAC) scheme for the allocation of resources to the country level[4]". Under the 2008-2011 programming arrangements framework (decision 2007/33), 78.8 per cent of the regular programme resources available for variable lines is earmarked for country programming under TRAC-1 and TRAC-2, with TRAC-1 and TRAC-2 each accounting for a 50 per cent of the combined TRAC-1 and TRAC 2 share. The earmarking for TRAC-3 is set at 7.2 per cent of the regular programme resources available for variable lines.

3. The TRAC-1 earmarking indicates the level of resources targeted to be available for an individual programme country for the financial period. It is calculated in accordance with the approved distribution methodology, which uses the World Bank Atlas method, gross national income per capita and total population as the primary criteria. TRAC-1 resources are immediately assigned to programme countries based on this calculation.

4. In monetary terms, TRAC-1 earmarkings are tentative in nature as they are based on a targeted level of the total regular programme resources for the financial period. This target may or may not be realized, depending on the actual level of voluntary contributions. Any necessary adjustments in country TRAC-1 allocations due to a shortfall of actual available programme resources against the target set are reflected in across-the-board reductions.

5. TRAC-2 was designed to provide the Administrator with the flexibility to allocate resources to high-impact, high-leverage activities and to target increasing levels of resources to support urgent national capacity development needs of programme countries towards achieving the Millennium Development Goals. TRAC-2 resources are subsequently assigned by UNDP to programme countries.

6. TRAC-3 was established with the view to providing the Administrator with the capacity to respond quickly and flexibly to the development needs of countries in special circumstances. TRAC-3 resources are allocated for: (a) response to sudden crises; (b) conflict prevention and recovery; (c) disaster risk reduction and recovery and (d) early recovery.

[4] Document DP/1995/15 (paragraphs 12-19) sets out the rationale for the three-tier TRAC scheme.

Annex 3

TRAC-2 assignments, 2008-2011*

(in thousands of dollars)

By region

Region	2008	2009	2010	2011	Total	As % of total
Africa	120,644	119,674	159,882	133,400	533,600	53
Asia and the Pacific	70,595	70,595	70,595	70,595	282,380	28
Arab States	15,588	15,388	18,438	16,455	65,869	7
Latin America and the Caribbean	13,122	12,703	12,767	12,864	51,456	5
Europe and the Commonwealth of Independent States	18,132	18,132	17,620	16,437	70,321	7
Grand total	**238,081**	**236,492**	**279,301**	**249,751**	**1,003,626**	**100**

By income status

Income level	2008	2009	2010	2011	Total	As % of total
Low	202,819	203,111	241,221	213,110	860,262	86
Middle	33,409	31,538	36,132	34,441	135,521	14
Transitional net contributor country	1,853	1,843	1,948	2,199	7,843	1
Grand total	**238,081**	**236,492**	**279,301**	**249,751**	**1,003,626**	**100**

By 'least developed country' status

Development level	2008	2009	2010	2011	Total	As % of total
Least developed country	151,415	151,757	184,006	158,797	645,977	64
Non-least developed country	86,666	84,735	95,295	90,954	357,649	36
Grand total	**238,081**	**236,492**	**279,301**	**249,751**	**1,003,626**	**100**

*TRAC-2 resources accruing to 2011 are currently released at 40 per cent.

Annex 4

Capacity development results for select countries

The 2008 annual reports received from country offices through the enhanced results-based management platform provide an opportunity to obtain information on progress in strengthening national capacities for achieving the Millennium Development Goals and advancing human development policies and plans. This serves as a proxy for reporting on TRAC-2 results in these areas. Below are brief descriptions of key capacity development activities and results for select countries.

Bangladesh. UNDP provided support to preparing and implementing national development plans and strategies aligned with the Millennium Development Goals, and to strengthening national capacities to undertake Goals-related needs assessments and costing. Local government and other stakeholder capacities were strengthened to foster participatory local Millennium Development Goals planning and delivery of development services, resulting in improved living environments in 349 urban communities. UNDP also supported the strengthening of rural and urban local government institutes through the training of 1,100 local representatives in participatory planning and implementation. Similar support in fund management contributed to the successful implementation of 1,512 community schemes funded from block grants.

Democratic Republic of the Congo. UNDP provided support to the preparation of a second national Millennium Development Goals monitoring report which included a 'roadmap' for achieving the Goals by 2015. Sectoral analyses and needs assessments were conducted in seven sectors. UNDP supported the establishment of a framework for medium-term budget expenditure and a coherent system of monitoring and evaluation of results. UNDP also provided support in developing the national policy on gender mainstreaming in government and the formalization of provincial gender-integration strategies.

Ghana. UNDP provided support to strengthening the capacity of the national development planning commission and statistical services to manage and accelerate Millennium Development Goals-related issues. The annual progress report on the poverty reduction strategy reflected the status of the Goals nationally, with an emphasis on sectoral contributions. Global, national and district human development reports positively influenced policy dialogue and debate on climate change, social inclusion and HIV/AIDS. Advocacy was strengthened to make issues related to the Millennium Development Goals more visible in the public domain by creating a parliamentary forum to facilitate debate and discussion by policymakers. UNDP supported sustainable livelihoods, localization of the Goals and 'Millennium village' approaches to further sensitize district policymakers and civil society groups.

Mongolia. UNDP provided support to the development of a Millennium Development Goals-based national development strategy, which was adopted by Parliament in early 2008 to serve as a basis for medium- and short-term planning and budgeting. Socio-economic guidelines, indicators of progress towards the Goals and a reporting mechanism were formulated in line with the national development strategy and approved by Parliament. In addition, a single system was established to monitor the Goals; it included a two-way feedback mechanism between the public and government. Capacities of local government and civil society groups were strengthened through initiatives promoting awareness and localization of the Goals in six pilot areas. A governance module, piloted through the annual socio-economic household survey, resulted in provincial and district Millennium Development Goals reports with local targets.

Nigeria. UNDP provided support to monitoring progress on the Millennium Development Goals and the targets of the national economic empowerment and development strategy. UNDP also supported the state statistical master plan at the federal level, as well as Millennium Development Goals costing and needs assessment activities in 16 states. Reports on progress towards the Goals were produced at the sub-national level for the first time in 14 states, providing critical baseline information for planning and scaling up action towards local-level Goals.

Pakistan. UNDP provided support to strengthening national and local capacities to develop, monitor and implement pro-poor policies, with an emphasis on gender equality and achievement of the Millennium Development Goals, in part through a revised poverty reduction strategy programme. More than 2,300 women councillors and public servants were trained to design and implement pro-poor and gender-sensitive interventions at the provincial and district levels.

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Implementation of the UNCDF cost recovery policy

Contents

Chapter *Page*

I. Background 2

II. Implementation of the UNCDF cost recovery policy 2

A. Cost recovery policy 2

B. Cost classification 3

Summary

UNCDF is fully recovering its costs, in accordance with the cost recovery policy adopted by the Executive Board at its first regular session 2008. It has applied the general management support rate of 7 per cent used by UNDP and other United Nations organizations to all third-party contributions. The newly approved UNDP cost categories, which UNCDF would like to adopt, will increase transparency and accountability, including by showing the volume of regular resources, if any, necessary to finance support costs that are not covered by the UNCDF allocation from the biennial support budget of UNDP.

Elements of a decision

The Executive Board may wish to recommend that UNCDF adopt the cost classification categories that it approved for UNDP in decision 2009/22.

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I. Background

1. In its decision 2008/21, the Executive Board requested the management of the United Nations Capital Development Fund (UNCDF) to report on the implementation of the cost recovery policy, including the effect of the applied rates on regular and other resources, as well as the use and allocation of indirect costs recovered, for consideration at the second regular session 2009. The presentation of that report was postponed to the first regular session 2010 to coincide with the presentation of the UNDP biennial support budget, 2010-2011, particularly as it relates to increased accountability and transparency in the way costs are classified. At the second regular session 2009 of the Board, the Executive Secretary presented the UNCDF approach to cost-recovery – an approach based on three principles: (a) alignment with UNDP cost recovery and harmonization with the cost recovery principles of the United Nations Development Group; (b) proportional burden-sharing of management costs from regular and extra-budgetary resources; and (c) strategic allocation of extra-budgetary resources to ensure effective programme delivery.

II. Implementation of the UNCDF cost recovery policy

A. Cost recovery policy

2. Cost recovery income in UNCDF is generated from two sources: (a) donor contributions to other resources (non-core funds); and (b) technical advisory services to United Nations organizations and other institutions. Since the UNCDF cost recovery policy was adopted by the Executive Board at its first regular session 2008, UNCDF has applied the general management support rate of 7 per cent used by UNDP and other United Nations organizations, to all third-party contributions. Technical advisory services are charged at full cost.

3. The actual average general management support rate for contributions received to UNCDF other resources in 2006-2007 stood at 6.7 per cent (contributions to other resources for this period were approximately $21 million). In 2008, the general management support rate stood at 7 per cent, with contributions of $26.6 million. Contributions of $16.0 million are expected in 2009, for a projected total of 42.6 million dollars for 2008-2009. Actual general management support in 2008 was $1.86 million, and projections for 2008-2009 amount to $2.98 million.

UNCDF Programme expenditures and biennial support budget (in millions of dollars)

Category	Regular resource	Other resources	Total
Income, 2006-2007	29,458	21,021	50,479
Programme expenditures, 2006-2007	36,219	18,215	54,434
General management support, 2006-2007 (6.7 per cent of other resources)*		1,400	1,400
Support costs, 2006-2007**	9,593	361	9,954
Income, 2008-2009* **	46,000	42,600	88,600
Programme expenditures, 2008-2009****	41,000	29,000	70,000
General management support, 2008-2009 (7 per cent of other resources)		2,982	2,982
Support costs, 2008-2009**	9,500	2,050	11,550

**$410,000 of the $1,400,000 in general management support was credited in 2008.*

***Support costs for regular resources represent an allocation of $5 million annually from the UNDP biennial support budget. In addition, UNCDF earmarks 5 per cent of the regular resources allocated to country programmes to a programme support budget that covers field- and regional-level costs.*

****Estimate, based on actual figures for 2008 and donor commitments for 2009.*

*****Estimate based on actual expenditure figures for 2008, projections for 2009 based on 9-month expenditure trend.*

4. From the extra-budgetary income generated by the application of the 7 per cent general management support rate, UNCDF plans to use $2.05 million in 2008-2009 to strengthen its country-level presence, additional operational support in the three regional offices in Africa and Asia, and additional management support at headquarters. Such activities are in keeping with the UNCDF expansion, during the past four years, from 23 to 38 least developed countries. The extrabudgetary income also partly covers the reimbursable services obtained from UNDP at headquarters under various service-level agreements. The $932,000 balance will be allocated to allow growth in the UNCDF extrabudgetary balances.

B. Cost classification

5. Against this background, UNCDF proposes that it adopt the cost classification categories approved for UNDP by the Executive Board in decision 2009/22: (a) development, and (b) management. This will increase transparency and accountability in the way costs are reported, including by showing the volume of regular resources, if any, needed to finance support costs that are not covered by the UNDP biennial support budget allocation.